

2002 Analyst Meeting

November 7, 2002



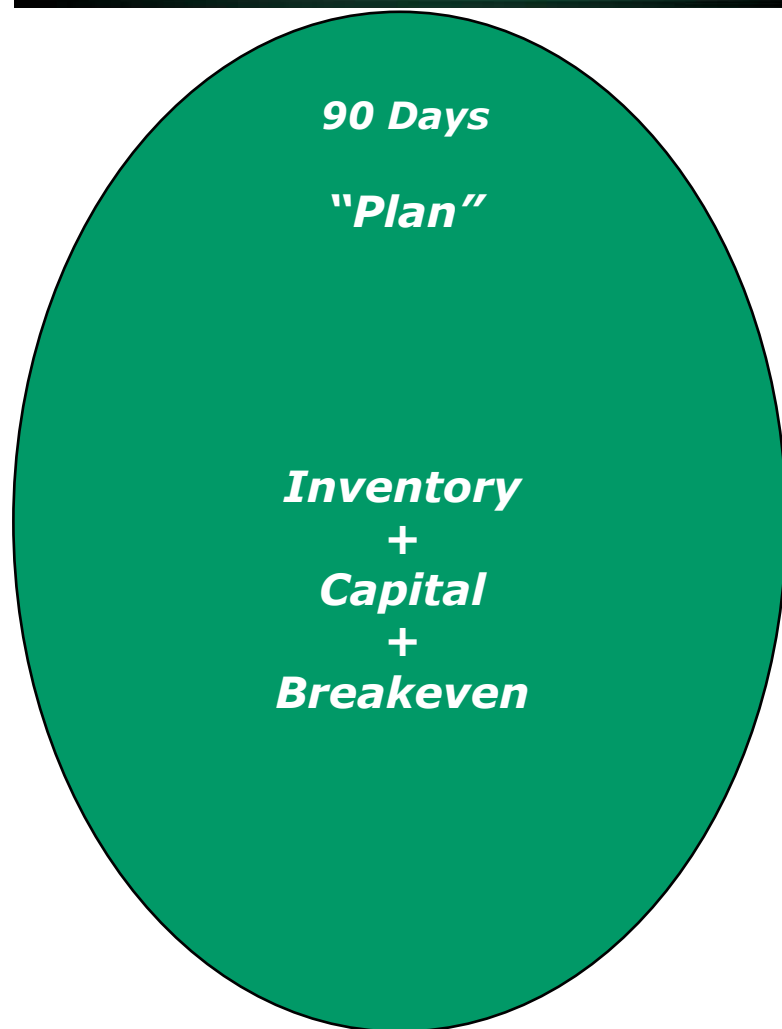
Bob Rivet
Chief Financial Officer

November 7, 2002

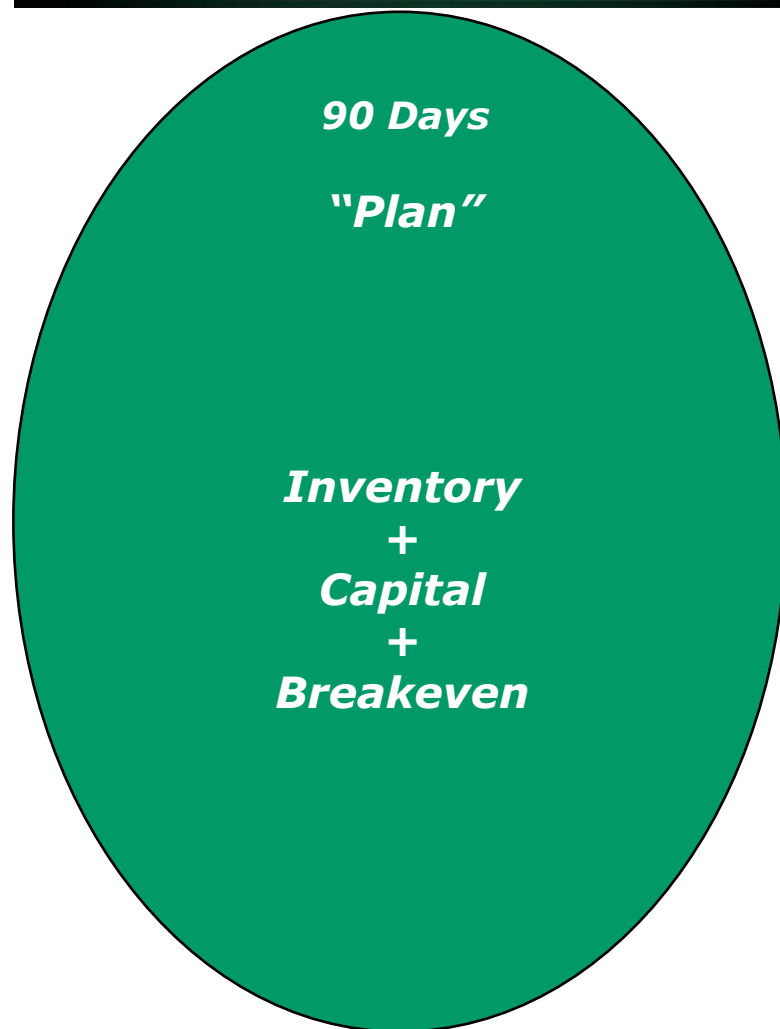
Agenda

- Operational Flexibility
 - restructuring
- Long-term Operating Model
- Outlook Q4-02 and 2003

Our Three-phase Plan

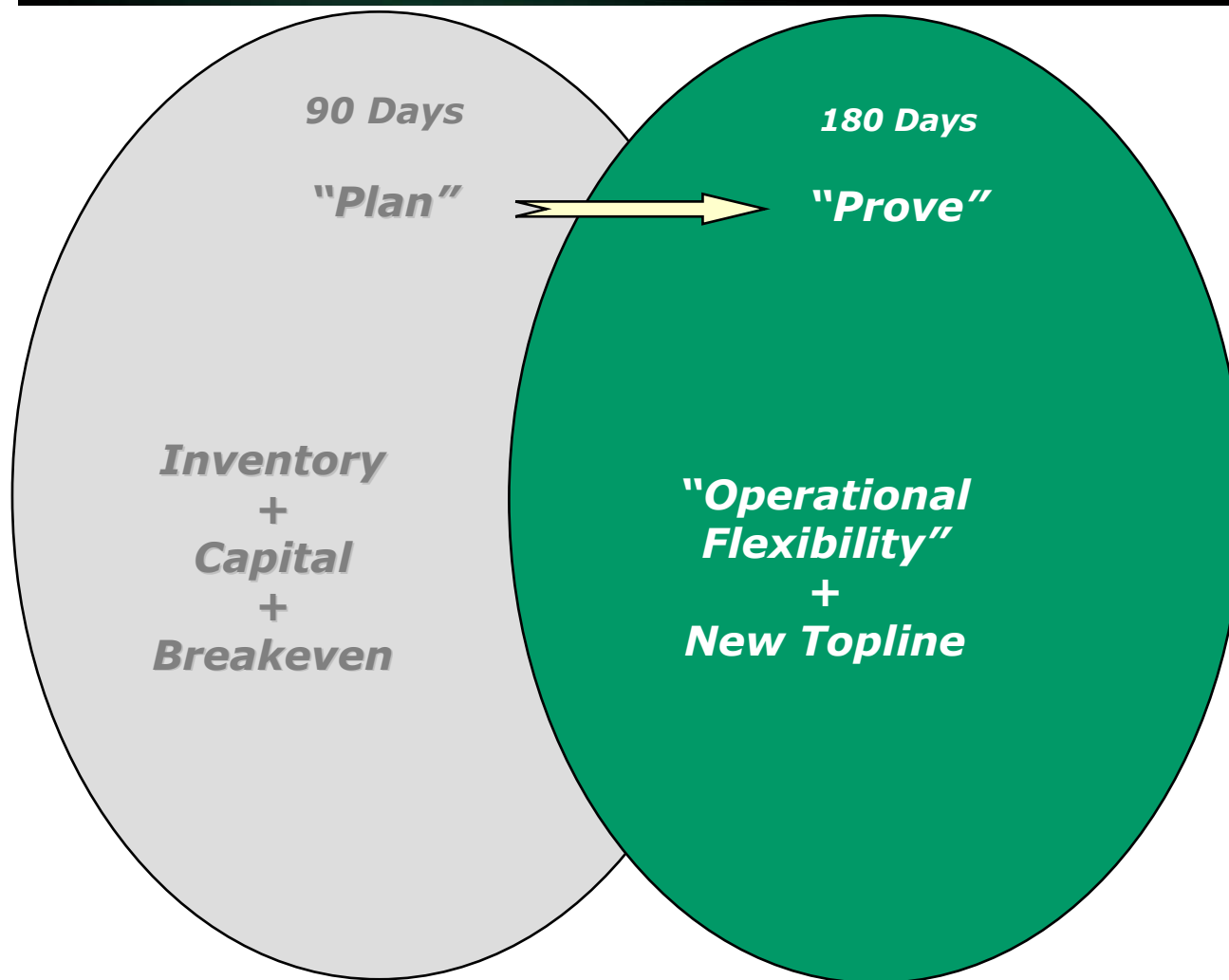


Our Three-phase Plan

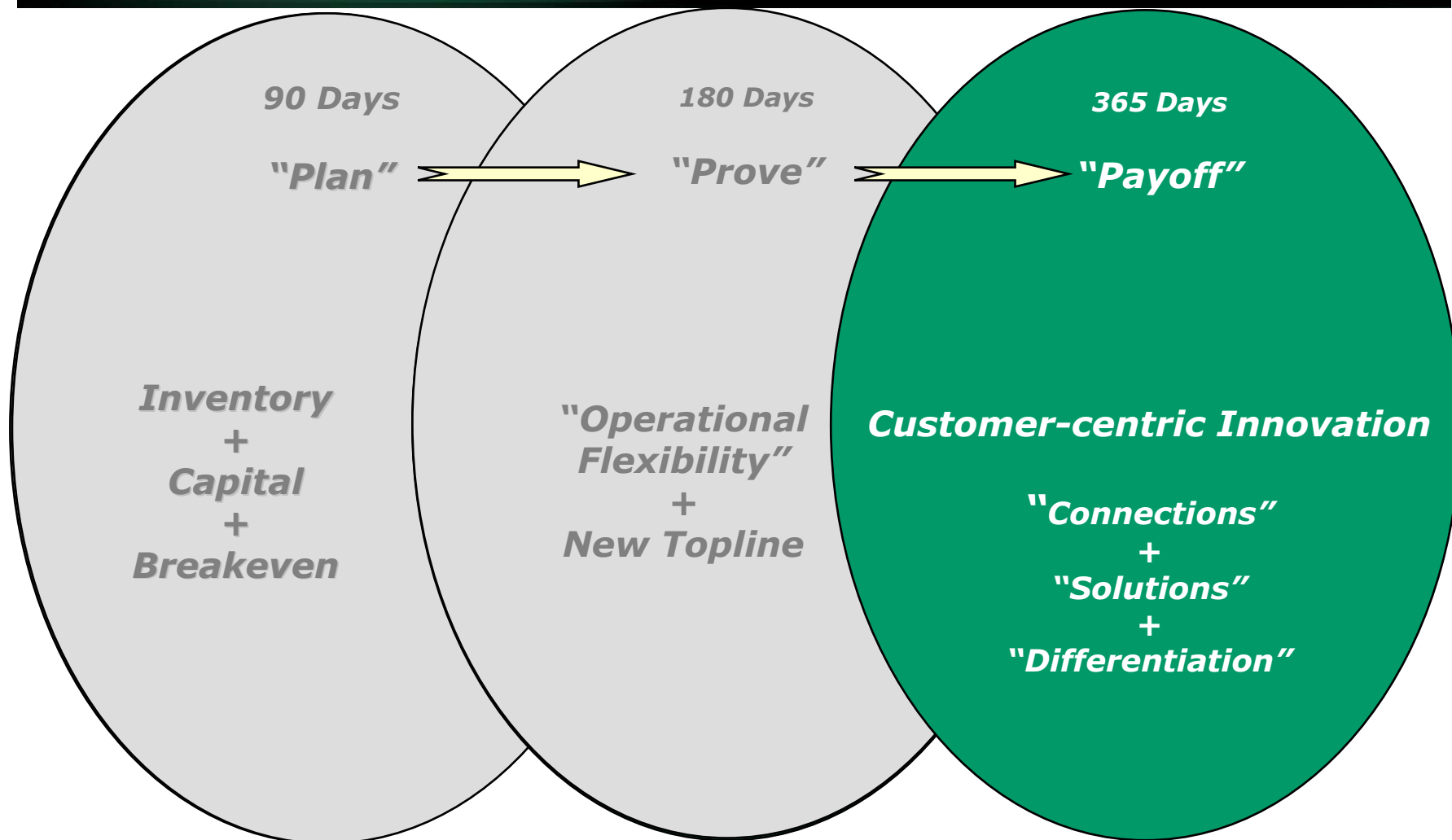


- Inventory issue 90% complete
- Reduced 2002 Capital Exp.
 - by \$50m - \$100m to approx. \$750m
 - Fab 25 asset financing \$155m
- \$100m / quarterly cost reduction plan by Q2-03

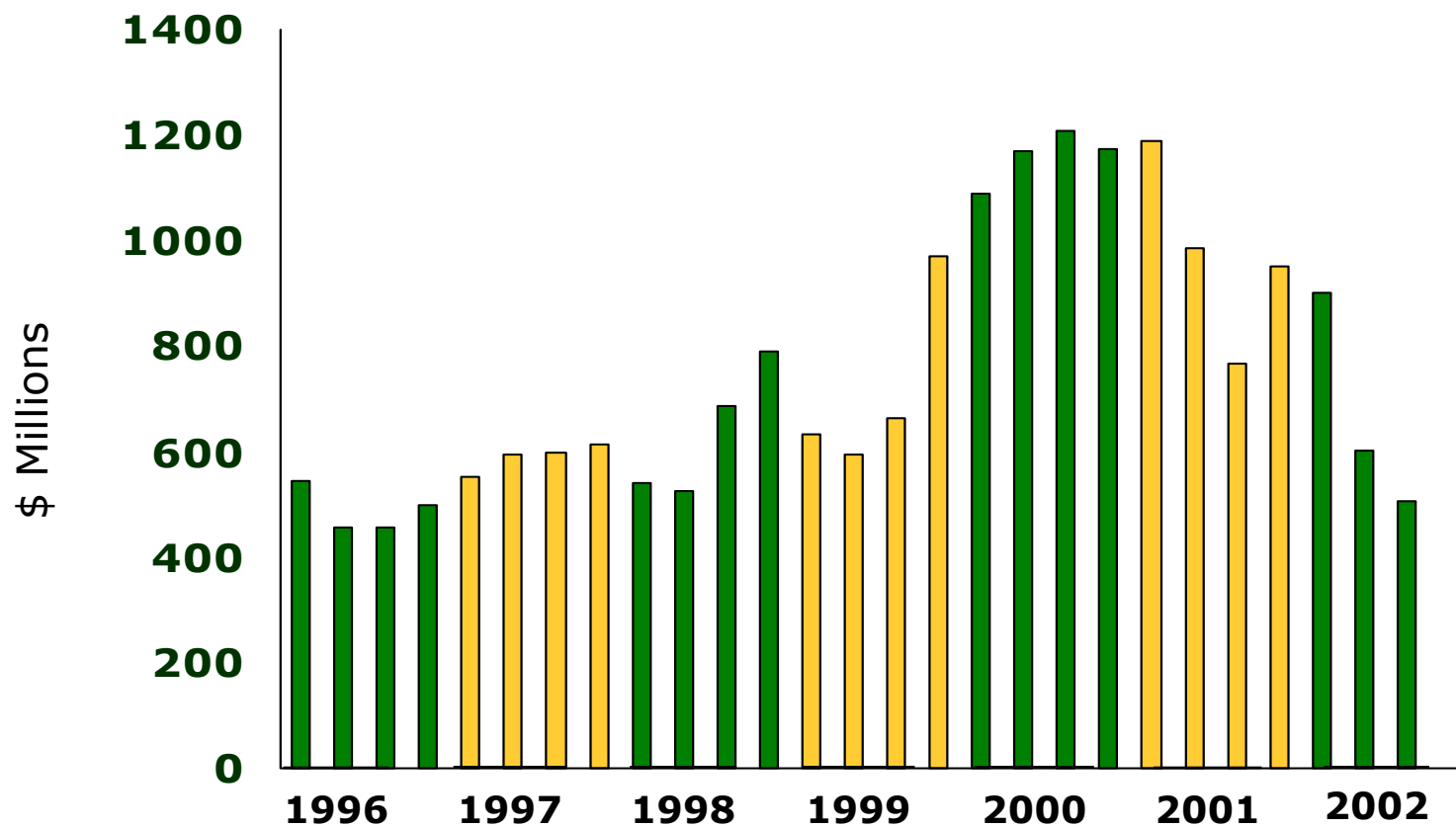
Our Three-phase Plan



Our Three-phase Plan



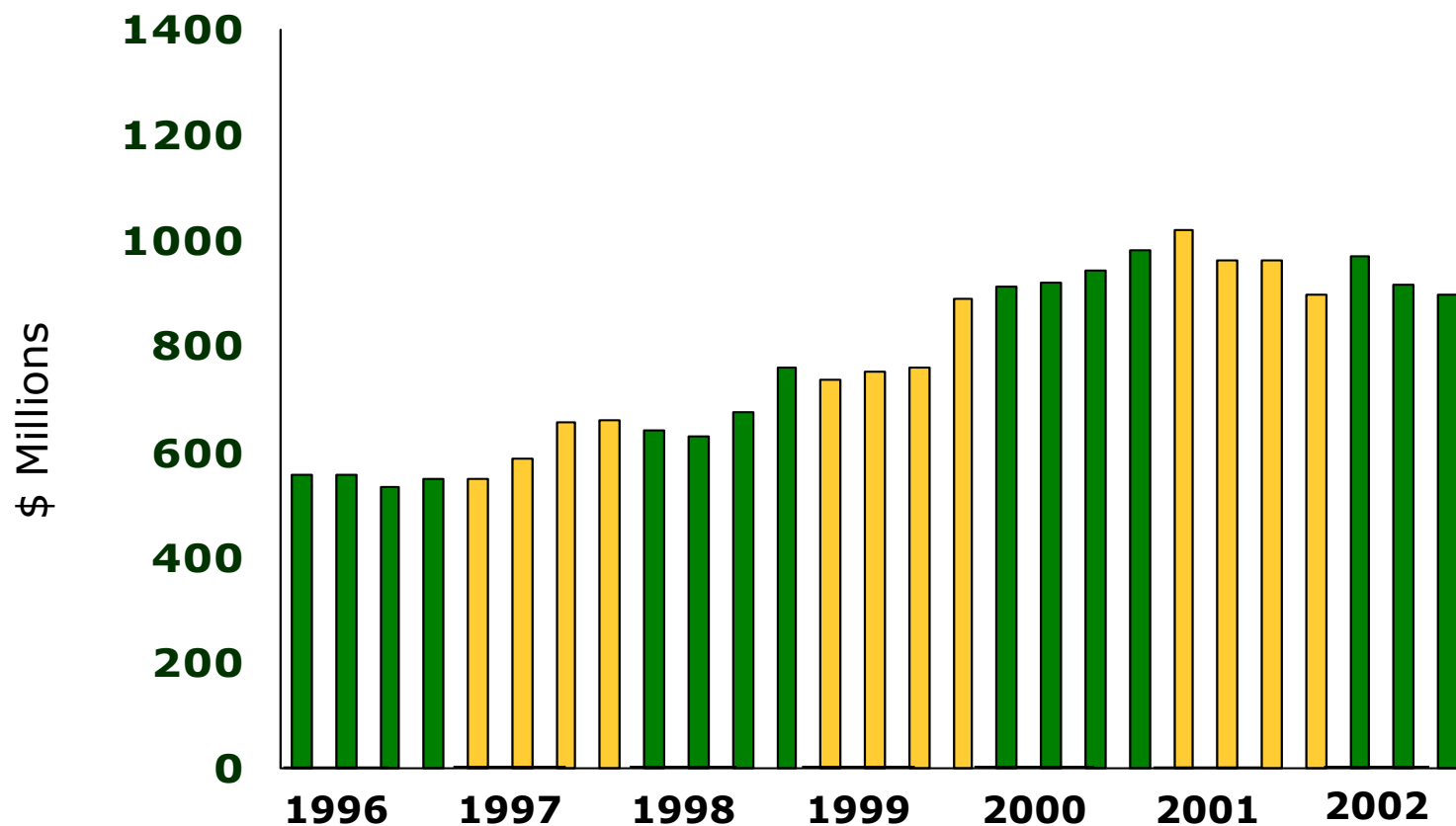
AMD Revenue



Quarterly Operating Costs



AMD Operating Costs

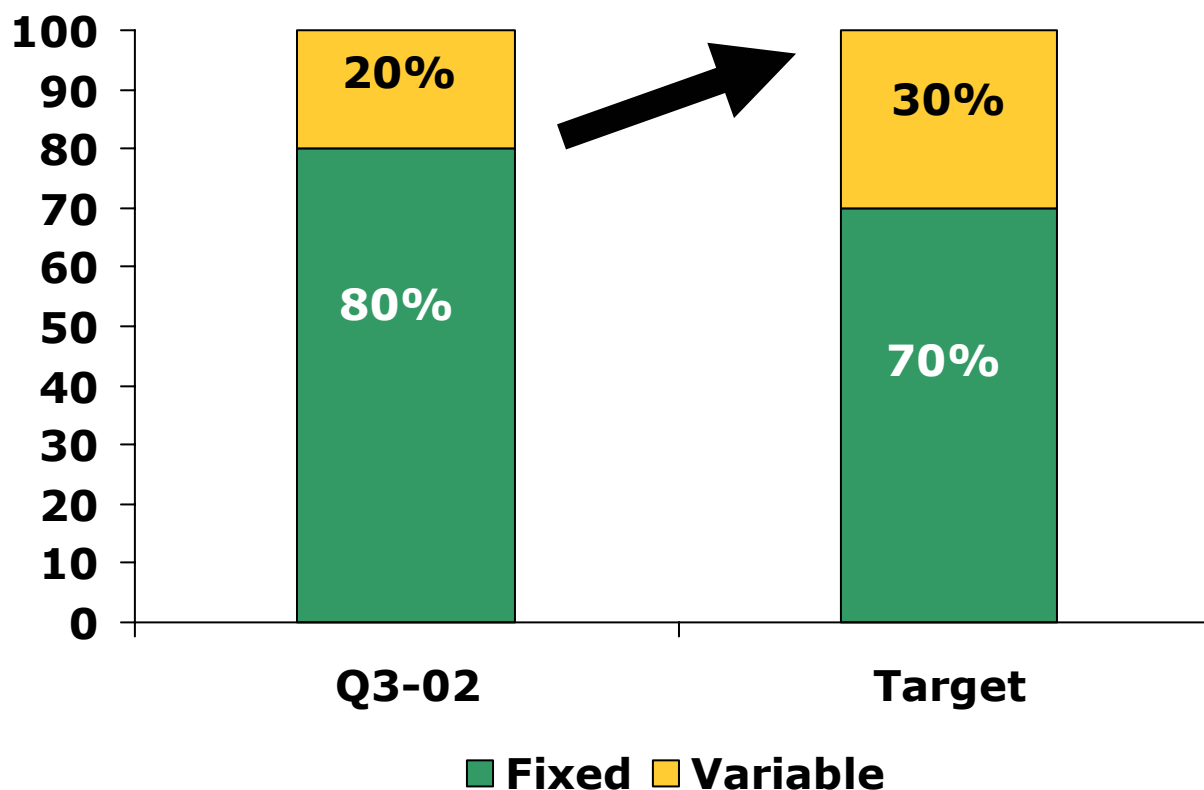


- The downturn is an opportunity to create operational flexibility through:
 - **tactical spend reductions**
 - **structural transformations**
- Implementing 'Operational Flexibility' – improved business model responsiveness to market changes without sacrificing fundamental strategies for success
- Shifting more of our expense structure to variable expenses from fixed
- Reduces risks of investments in high fixed cost assets
- Manages industry down-cycles better; gives up some benefit during the up cycles
- Driving towards a business model that is profitable in both up and down cycles

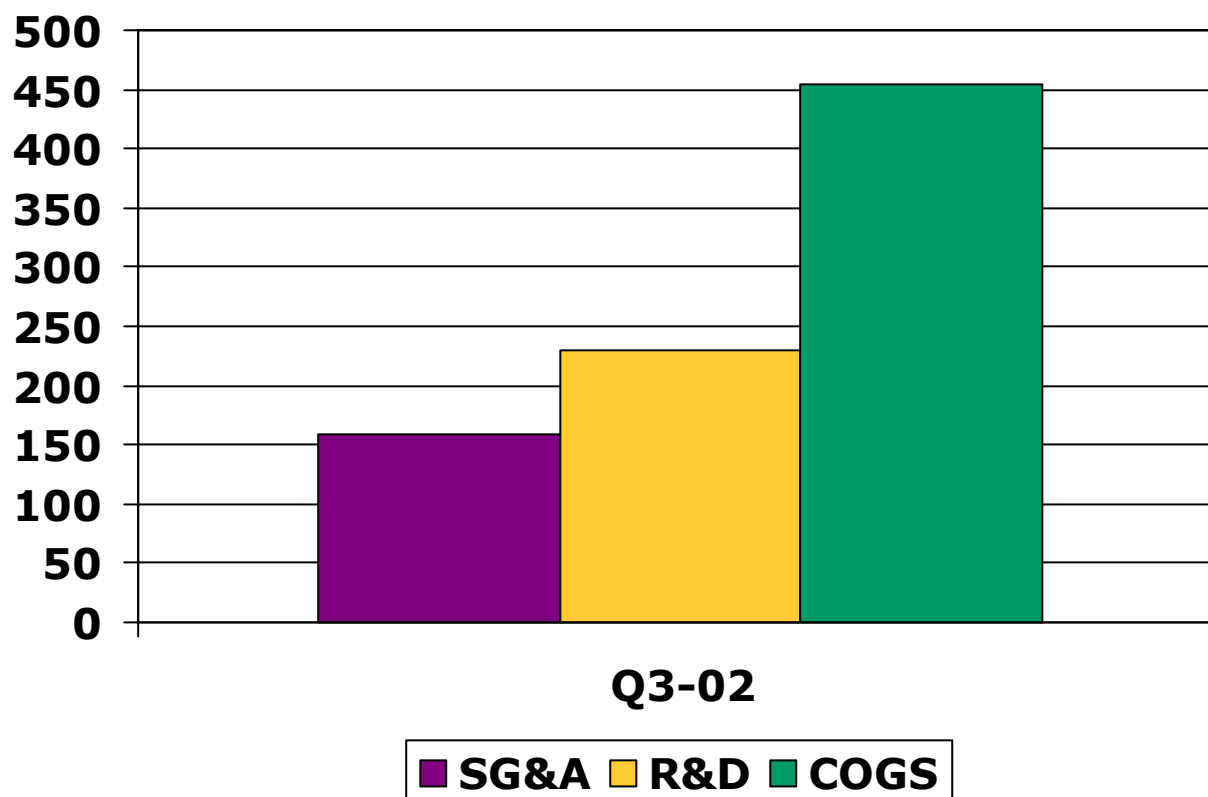
Target Cost Structure



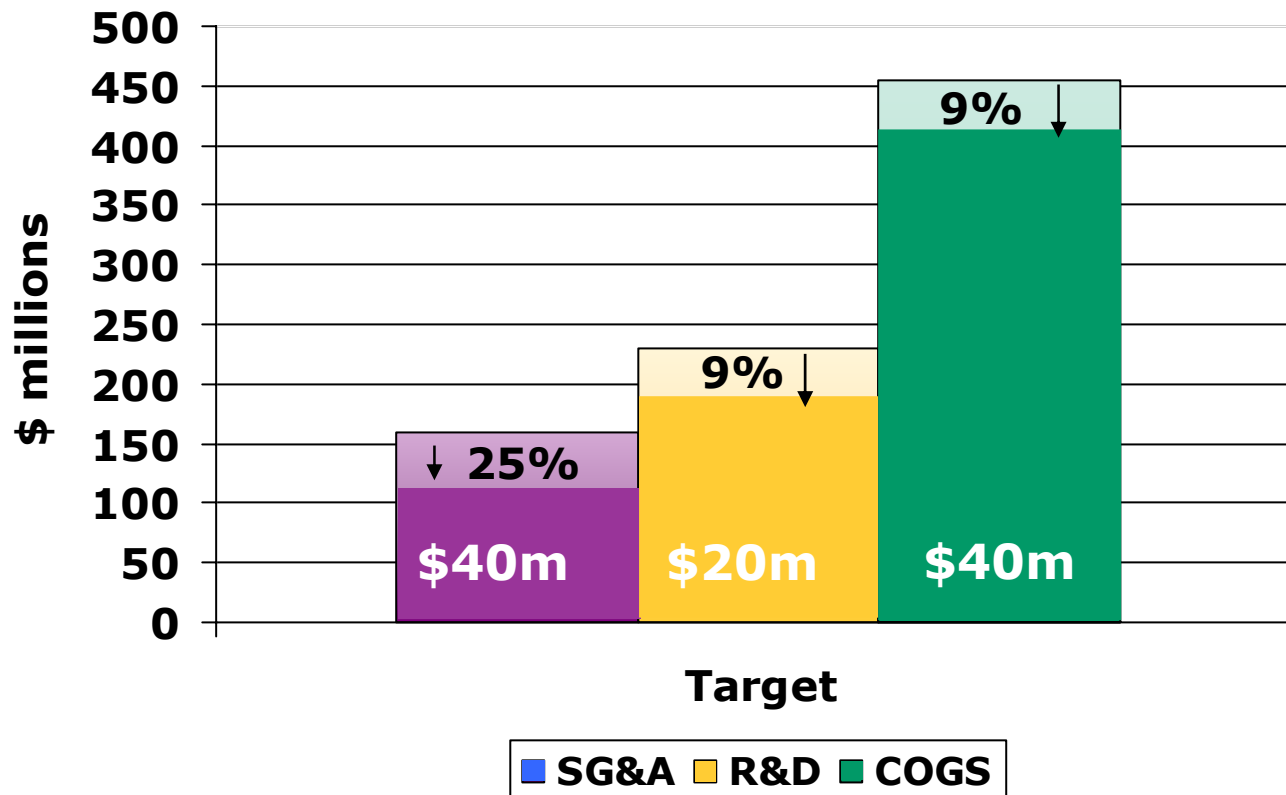
- Aim to increase variable costs as a % of overall costs



- Q3 costs unsustainable and inefficient in the long-term



- Cuts and savings are being made across the board



- Commitment to R&D investment remains strong
- Innovation requires research
- Focused on delivering the maximum amount of R&D per AMD dollar
- We intend to focus on partnering with others and to leverage the IP of other high caliber companies
- Roadmap schedules are not impacted

- We expect to take a pre tax restructuring charge of several hundred million dollars in Q4
 - 1/3 of the restructuring charge will be cash
 - 2/3 of the restructuring charge will be non cash

Long-term Target Model



Revenue	100%
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COGS	<u>55-60%</u>
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Gross margin	40-45%
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R&D	14-16%
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SG&A	<u>9-11%</u>
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Operating Inc.	15-20%
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- Revenue: 20%+ higher than Q3
- Flash Memory Business – expect a very good quarter
 - Very bullish on Flash
 - Strong shipment growth trends continue
 - Growth coming from the high-end mobile phone market, especially in Asia and Europe
- PC Processor – expect some recovery
 - Market seasonality
 - Inventory in the supply chain will be more in line with current demand
 - Shipments in, and PC processors sales out will be more closely aligned
 - Ramping our 2400+, 2600+, 2700+ and 2800+ microprocessors into the marketplace

- Capital expenditure: reduced to approximately \$750 million to \$800 million (from \$850m)
- Restructuring charge: anticipated at several hundred million dollars (pre tax)
- EBITDA: approaching neutral (excl. restructuring charge)

Our current plan assumes the following:

- Semiconductor industry will grow, and based upon our product offerings we will outgrow the market
- Implement “Operational Flexibility” and reduce our expenses by \$350m
- Breakeven point reduced to \$775m by Q2
- Be profitable for the year
- EBITDA positive in Q1 and growing through '03
- Capex will be approximately \$650m, about \$100m less than '02



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